

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
JUNE 10, 1993, 10:00 AM EST

The Members of the Department of Financial Institutions met at 10:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, June 10, 1993. Members present were Messrs. Mark Hasten, presiding, W. Paul Wolf, Anthony Zaleski, Jr., Norman Lowery, and Mrs. Dee Godme. Also present from the Department were Director Charles W. Phillips, J. Philip Goddard, Legal Counsel; Charles T. Stumpf, Administrative Assistant; James M. Cooper, Administrative Assistant, Mergers and Acquisitions; Randall L. Rowe, Bank Supervisor; Kirk J. Schreiber, Bank Analyst; Eric Roberts, Bank Analyst; and Mark K. Powell, Supervisor, Credit Unions; Robert Haler, Supervisor, Donna Kaye, Assistant to the Supervisor, Mark Tarpey, Division Coordinator; Consumer Credit Division; Sharon Remick, Bank Division Secretary; Terry Duga, Attorney General's Office; and Janice L. Davis, Administrative Assistant. Messrs. Leitch and Grant were absent.

I. PUBLIC SESSION

- A.) Attendance
- B.) Date of next meeting: July 8, 1993, at **10:00 a.m. EST.**
- C.) A motion was made for approval of the minutes of the meeting held May 13, 1993, by Mr. Zaleski, and seconded by Mr. Lowery. The minutes were unanimously approved.

DIVISION OF BANKS AND TRUST COMPANIES

A) **Fifth Third Bank of Southeastern Indiana, Greensburg, Decatur County, Indiana (Southeastern)**

The bank has filed an application pursuant to IC 28-2-13 and IC 28-1-7 for approval to establish and operate two branch offices through the merger of Shelby County Savings Bank, FSB (Shelby), Shelbyville, Shelby County, Indiana, with and into Fifth Third Bank of Southeastern Indiana, Greensburg, Decatur County. Shelby's main office and branch office will become branch offices of Southeastern in the following manner:

- 1) Shelbyville Branch (current main office of Shelby)
29 East Washington Street
Shelbyville, Shelby County, Indiana.
- 2) St. Paul Branch (current branch office of Shelby) 105 County Line Road
St. Paul, Decatur County, Indiana.

The application was received by the Department on May 20, 1993.

Mr. James M. Cooper, of the Department presented the application to the members and explained the proposed transaction. Fifth Third Bancorp, Cincinnati, Ohio, plans to acquire Shelby County Bancorp through the merger of Shelby County Bancorp into Fifth Third Bancorp. As a result of this transaction, Fifth Third Bancorp will acquire control of Shelby County Bancorp. This transaction does not need the approval of the Department; however, Southeastern has applied to the Department for approval of a merger. IC 28-2-13-20.5 provides the authority for a bank to merge with a savings association in what is known as an "oakar transaction". Mr. Cooper informed the members that Southeastern had total assets of \$314 million as of March 31, 1993, and total equity capital of \$28.7 million. Tier one capital to total assets was 9.10%. Shelby had total assets of \$56 million and total equity capital of \$4.9 million as of March 31, 1993, and its tier one capital to total assets was 9.75%. Southeastern will have total assets of \$370 million, total equity capital of \$33.4 million, and a tier one capital to assets ratio of 9.04% on a pro forma basis as of March, 1993. For the twelve months ending December 31, 1992, Southeastern had a 1.70% return on assets, while Shelby had a .62% return on assets for the same period of time. Mr. Cooper informed the members that the bank holding company and all of its bank subsidiaries will meet their applicable capital standards upon consummation of the proposed transaction. The transaction would not be contrary to the Interstate Expansion limitations imposed by the Bank Holding Company Act and will not result in the transfer of any insured deposits from one federal deposit insurance fund to another. It was the opinion of the staff that Fifth Third Bank of Southeastern Indiana will have satisfactory earnings, sound management, and adequate capital following the proposed mergers of the two transactions.

Mr. Lowery made the motion for approval and Mr. Wolf seconded the motion. The application was unanimously approved.

DIVISION OF CREDIT UNIONS

A) A request for approval of the proposed merger of **Bar-W Federal Credit Union, Logansport, Cass County, Indiana, into Wabash County Farm Bureau Credit Union, Wabash, Wabash County, Indiana.**

Mr. Mark Powell, Supervisor of the Credit Union Division, informed the members that this proposed merger has

already been approved by the National Credit Union Administration. Completion of the merger is subject to the approval by the members. As a result of this merger there will be a termination of federal insurance of Bar-W Federal Credit Union. As a result the members of the credit union must vote to approve the transaction under part 708.203 of the National Credit Unions rules and regulations. The membership meeting and vote was May 7, 1993, and 280 members voted for the merger and 2 against. Mrs. Godme made the motion for approval and was seconded by Mr. Wolf. The merger was unanimously approved.

- B) A request for approval of the formation of TECU Services (a credit union service organization) by Tokheim Employees Credit Union, Fort Wayne, Allen County, Indiana.

The proposed credit union service organization (CUSO) will provide services in the following areas: annuities, mutual funds, life insurance products, property and casual insurance, and travel agency services. There will be no outside employees offering services with regard to any services of the proposed CUSO. The Tokheim Employees Credit Union on March 18, 1993, passed a resolution to form a credit union service organization to transact any and all business allowed under IC 28-7-1-9(18), and the NCUA rules and regulations, Section 701.27. Mr. Powell pointed out that there would not be any start up costs involved and that CUSO's are formed by our parity statute. Mr. Wolf inquired as to whether a CUSO had been formed in the past, and Mr. Powell informed Mr. Wolf and the members that this is the first one in approximately two years and that we have formed ten CUSO's in the past. A motion for approval was made by Mrs. Godme and seconded by Mr. Lowery. The application was unanimously approved.

DIVISION OF CONSUMER CREDIT

- A) Mrs. Donna Kaye, Assistant to the Supervisor, Consumer Credit Division, gave a review of the non-depository examination status for 1992. She informed the members that this division is responsible for enforcing the Consumer Credit Code, the Pawnbroking Law, the Currency Exchange Act, the Budget Service Company Act, and the Rental Purchase Agreement Act. In 1992, our examiners made 1,010 examinations for an average length of 2.09 days. There were 20,792 refundable violations cited totaling \$879,979.10, and 550 non-refundable violations. Mrs. Kaye gave the members and overview of the types of violations most commonly found, which were: finance charges in excess of the maximum rate, additional charges not contracted for, delinquency charges in excess of the maximum amount allowed, deferral charges not contracted for, insufficient finance charges, deferral charges, and credit insurance. Mrs. Kaye reported that the division has established examination priorities which are: consumer credit complaints requiring investigation, depository institutions in conjunction with the depository divisions examinations, licensed lenders, pawnbrokers, budget service companies, rental purchase registrants, non-lenders, and general finance companies. Non-lenders are examined every twelve to thirty-six months, depending on their volume of consumer credit and previous examination findings. This division has established a rating system which is similar to a CAMEL rating and is presently being implemented. Mrs. Kaye then went through the procedure that the non-depository division implements when conducting an examination.
- B) Mr. Mark Tarpey, Division Coordinator, Consumer Credit Division, informed the members that pursuant to recent legislation, the members will now establish fees involved with the Budget Service Company Act, Pawnbroker Act, the Money Transmitters Act, and Check Cashing Act. All fees with the exception of the Check Cashing fees have been established by statute. The legislative changes removed those fees and gave the members of the Department the authority to establish the appropriate fee for the regulation of these areas. The Check Cashing Act is new, thus the members must establish an original fee for this regulation. Mr. Tarpey presented the proposed fee schedule to the members. A motion was made for approval by Mr. Wolf and seconded by Mr. Zaleski. The fees were unanimously approved and will be recorded in the minute book.
- C) Mr. Robert Haler, Supervisor, Consumer Credit Division, informed the members of the upcoming National Association of Consumer Credit Administrator Continuing Education School, which will be held in Cincinnati, Ohio on August 11 through August 14, 1993. The Consumer Credit Division is sponsoring the school and expects to have approximately 150 consumer credit examiners from various states participating in the school.

Mr. Haler also explained that the Consumer Credit Division is involved in producing a cable Television program "It's Your Money" to educate the public on their credit options. He added that the television program recently won an award for the best cable television program.

DIRECTOR'S COMMENTS AND REQUESTS

- A) Mr. Charles Stumpf, Jr., Administrative Division, presented fee schedules for the fiscal year ending 6/30/94 for all areas and asked for the Members approval on those fees that had not been previously approved (bank and miscellaneous consumer credit fees). Mr. Stumpf also presented a projected revenue picture using the proposed fee schedules. The details of this projection and the fee schedules are incorporated in the minutes of the meeting. A motion for approval was made by Mr. Lowery and seconded by Mrs. Godme. The fees were unanimously approved.
- B) The Members were asked to consider a proposal to delegate enforcement authority of Cease and Desist Orders to the Director of the Department. After a brief discussion, Mr. Lowery made a motion to delegate to the Director or Department Counsel the authority to enforce final cease and desist orders, including agreed orders, issued by the Department. The motion was seconded by Mrs. Godme, and unanimously approved.
- C) The Director advised the Members of actions taken pursuant to delegated authority, which were as follows:

BANK & TRUST DIVISION

- 1.) FIFTH THIRD BANK OF CENTRAL INDIANA, INDIANAPOLIS, MARION COUNTY, INDIANA
The bank has submitted a request to establish a branch banking office to be located at 5325 East Thompson Road, Indianapolis, Marion County, Indiana. This will be the applicant's eleventh branch. The application was approved by the Director under Delegated Authority on 5/20/93.
- 2.) HOME BANK S B, MARTINSVILLE, MORGAN COUNTY, INDIANA
The savings association has submitted a request to establish a branch office located at the 1101 Bridge Street, Mooresville, Morgan County, Indiana, which is at the southeast corner of State Road 67 and Bridge Street. The application was approved by the Director under Delegated Authority on 5/20/93.
- 3.) CENTIER BANK, WHITING, LAKE COUNTY, INDIANA
The bank has submitted a request to establish a branch banking office to be located at 7047 East 117th Avenue, Crown Point, Lake County, Indiana. The branch will be located within the newly constructed Christian Retirement Village and will be primarily a deposit-gathering facility. The application was approved by the Director under Delegated Authority on 5/20/93.
- 4.) FIRST STATE BANK OF PORTER, PORTER, PORTER COUNTY, INDIANA
The bank has requested permission to hold 50 thousand shares of common stock of Amerigold, Inc., which was obtained as a result of a foreclosure on a debt previously contracted. The bank has requested to hold the shares until April 17, 1995. This represents an additional, two-year extension to the previous extension which was granted by the Department on April 17, 1991. The request was approved by the Director under Delegated Authority on 5/20/93.
- 5.) GATEWAY BANK/INDIANA, LAGRANGE, LAGRANGE COUNTY, INDIANA
The bank has submitted a request to amend its Articles of Incorporation. Article I of the Articles of Incorporation will be amended to change the name of the corporation to "Gateway Bank."

Article VII of the Articles of Incorporation will be amended to read as follows: "The Board of Directors shall consist of not less than three (3) nor more than twenty-five (25) members." The request was approved by the Director under Delegated Authority on 5/20/93

CONSUMER CREDIT DIVISION

1. Grace Foods, Inc. submitted an application for a Currency Exchange license. The applicant operates 19 Safeway Food stores in Indianapolis and the surrounding areas. The applicant did not submit a financial statement with their application. As allowed under a current law, they have doubled the amount of the bond from \$100,000 to \$200,000.

The applicant's legal counsel was advised of the pending repeal of the Currency Exchange Act. He was also advised in general of the stricter requirements of the new law. The new law will be effective January 1, 1994. The new law does require audited financial statements. It also requires a net worth of \$100,000 plus \$50,000 for each location up to a maximum of \$500,000. The application was approved by the Director under Delegated Authority on 5/12/93.
2. K & L Enterprises submitted an application for a Pawnbroker License, which is to be located in Petersburg, Indiana. The appropriate bond has been posted. The application was approved by the Director under Delegated Authority on 5/13/93.
3. Highland Pawn submitted an application for a Pawnbroker License to be located in Highland, Indiana. The appropriate bond has been posted. The application was approved by the Director under Delegated Authority on 5/17/93.
4. Jay Petroleum, Inc. submitted an application for a Currency Exchange License, which will be located in Portland, Indiana. The applicant operates 13 "Pak-A-Sak" convenience stores in Indiana. Money orders will be sold at these locations. The applicant submitted audited financial statements. The bond was in order. The application was approved by the Director under Delegated Authority on 5/18/93.

There being no further business to come before the Members, the meeting was adjourned.

APPROVED:

ATTEST:

Mark Hasten, Chairman

J. Philip Goddard, Secretary